

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MANISTEE COUNTY	County MANISTEE
Fiscal Year End 09/30/2006	Opinion Date 12/03/2006	Date Audit Report Submitted to State 03/23/2007	

We affirm that

We are certified public accountants licensed to practice in Michigan.

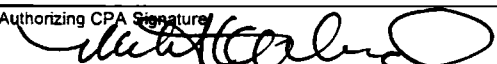
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM		Telephone Number 231-276-7668		
Street Address PO BOX 205		City INTERLOCHEN	State MI	Zip 49643
Authorizing CPA Signature 		Printed Name ROBERT K. WARD, CPA		License Number 1101028281

MANISTEE COUNTY
MANISTEE, MICHIGAN

AUDIT REPORT

For the Year Ended
September 30, 2006

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December 3, 2006

Mr. Thomas D. Kaminski
County Administrator
Manistee County
Manistee, MI 49660

Dear Mr. Kaminski:

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Manistee County. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Manistee County are listed in Note B. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Manistee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Manistee County that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The County Commission continues to do an excellent job of addressing the financial accountability within the County.

The following are comments on items noted during the audit with recommendations for correction:

COMMENT: The internal control over accounts receivable and cash continues to improve in the District Court. The resultant increased collections are a by product of this emphasis.

COMMENT: The internal control systems need to be constantly reviewed for compliance with policy and enforcement.

RECOMMENDATION: Establish an internal audit function to verify and aid in enforcement of existing controls.

COMMENT: Money received on September the 30th had a receipt dated October 2nd.

RECOMMENDATION: Insure that all receipts are written timely.

COMMENT: One third county payments to a reserve fund were not made timely.

RECOMMENDATION; Insure that everyone understands the new required system and the final ramifications of the cash flow shortage which will be generated from it.

COMMENT: GASB 45 will be put into effect this year.

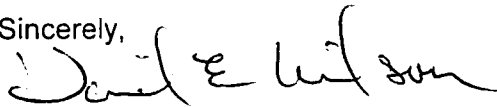
RECOMMENDATION; The County needs to continue the efforts which are underway at the current time to determine the overall effect and what actions can be taken to minimize the impact.

COMMENT: Payroll is written from and with checks in sequence with the general cash.

RECOMMENDATION: Consideration should be given to maintaining an imprest payroll account. Checks would be more easily balanced, lost checks identified and prevention of potential forging of check amounts reduced.

Again, it is important to remember that this report is for information only and provided to management with the intent to improve management practices within Manistee County.

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Wilson". The signature is fluid and cursive, with the first name "David" being the most prominent.

David E Wilson, CPA

MANISTEE COUNTY, MICHIGAN

INDEX TO REPORT

Page No.

1	FINANCIAL SECTION
2	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
3-4	Report on Compliance with requirements applicable to each major program and Internal Control over compliance in accordance with OMB Circular A-133.
5	GENERAL PURPOSE FINANCIAL STATEMENTS
6-7	Independent Auditor's Report
8-14	Management Discussion and Analysis
15	Government Wide Statement of Net Assets
16	Government Wide Statement of Activities
17	Governmental Funds Balance Sheet
18	Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
19	Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets
20	Combining Balance Sheet Fiduciary Funds
21	Statement of Net Assets - Discretely Presented Component Units
22	Statement of Activities - Component Units
23	Balance Sheet -Discretely Presented Component Units
24	Statement of Revenues, Expenditures & Changes in Fund Balance - Discretely Presented Component Units
25-43	Notes to Financial Statements
44	SUPPLEMENTAL STATEMENTS
45	Report on Supplemental Statements
46	<u>GENERAL FUND</u>
47-48	Statement of Revenues - Budget & Actual
49-50	Statement of Expenditures & Other Financing Uses - Budget & Actual
51	Changes in Fund Equity for the Fiscal Year Ended
52	<u>SPECIAL REVENUE FUNDS</u>
53-56	Combining Balance Sheet
57-60	Combining Statement of Revenues, Expenditures and Changes in Fund Balance
61	<u>ENTERPRISE FUNDS</u>
62	Combining Balance Sheet
63	Combining Statement of Revenues, Expenditures and Changes in Retained Earnings
64	Combining Statement of Cash Flows
65	<u>DEBT SERVICE FUNDS</u>
66	Balance Sheet
67	Statement of Revenues, Expenditures and Changes in Fund Balance
68	<u>CAPITAL PROJECTS FUNDS</u>
69	Balance Sheet
70	Statement of Revenues, Expenditures and Changes in Fund Balance
71	FEDERAL FINANCIAL ASSISTANCE
72-74	Schedule of Federal Financial Assistance
75	Schedule of Findings & Questioned Costs

FINANCIAL SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Manistee County
Manistee, Michigan

We have audited the general purpose financial statements of the Manistee County, Michigan as of and for the year ended September 30, 2006, and have issued our report thereon dated December 03, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Manistee County, Michigan in a separate letter dated December 03, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Manistee County in a separate letter dated December 03, 2006.

This report is intended solely for the information and use of the management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
December 03, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Commissioners
Manistee County
Manistee, Michigan

Compliance

We have audited the compliance of Manistee County, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. Manistee County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Manistee County, Michigan's management. Our responsibility is to express an opinion on Manistee County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manistee County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Manistee County, Michigan's compliance with those requirements.

In our opinion, Manistee County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Manistee County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Manistee County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the ways and means committee, management, others within the organization, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, Michigan
December 03, 2006

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Manistee County
Manistee, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistee County, Michigan as of and for the year September 30, 2006, which collectively comprise Manistee County, Michigan's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Manistee County, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Manistee County, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, we have also issued our report dated December 03, 2006, on our consideration of the Manistee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manistee County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson, Ward CPA Firm

Interlochen, MI
December 03, 2006

Management's Discussion and Analysis

As management of Manistee County, we offer the readers of the Manistee County financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of Manistee County exceeded its liabilities at the close of fiscal year 2006 by \$3,082,261. Of this amount \$2,251,512 may be used to meet the government's ongoing obligations to citizens and creditors.
- At September 30, 2006 the County's governmental funds reported a combined fund balance of 3,082,261.
- At September 30, 2006, unreserved fund balance for the general fund was (\$140,070). This was a 0% change in fund balance from the prior year.
- Total long term debt in the Governmental Activities decreased by \$387,911 from the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety and health. The business-type activities of the County include delinquent property tax collection, and Medical Care Facility.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Component Units include the Medical Care Facility, Mainstee County 9-1-1 Central Dispatch, Manistee County Building Authority, Manistee County Blacker Airport, Manistee County Library and the Manistee County Road Commission. Financial information for *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement on revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains many individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, central dispatch E911, and the Building Authority funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue and debt service funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its information services contracts, assessing and mapping activities,, and delinquent taxes. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its self insurance, mental health self insurance and motor pool activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 60-63 of this report.

Fiduciary funds (Trust and Agency). Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-43 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 46-70 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$1,661,964 at the close of the most recent fiscal year. A large portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 72% of total net assets. An additional portion of the County's net assets (16%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grants, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. All such assets (except for assets invested in capital assets, net of related debt) are considered restricted or unrestricted. The smallest portion of the County's net assets (12%) are unrestricted net assets. These net assets may be used to meet the government's ongoing obligations to citizens and creditors.

See the following two pages for financial information on net assets.

Governmental Activities

Governmental Activities include:

- Legislative activities - Expenditures related to the Board of Commissioners and high-level administrative expenditures.
- Judicial activities - Expenditures related to the administration of Circuit, District, and Probate/Family Courts and Court Probation units.
- General government activities - Expenditures related to the support departments of the County such as Administration, Human Resources, Treasury, Information Services, Facilities Management, and Finance.
- Public safety - Expenditures related to the Sheriff's Administration and Road Patrol and County Corrections services.
- Health - Expenditures related to public health services such as immunization, solid waste, child care, Medical Examiner, and housing assistance programs.

Business Type Activities

Business Type Activities include:

- Delinquent tax revolving fund - This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlement.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. Unreserved fund balance represented 4% of annual government expenditures in 2002.

Proprietary funds. The County proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Amended budgetary expenditures differed from the originally adopted budget mainly for the following reasons:

Revenue

- The slow down in the economy in Michigan and specifically in the housing market in Manistee County resulted in a budget decrease in the Register of Deeds revenue of \$63,124. (Recording Fees. \$47,840 and Transfer Tax \$15,284)
- Federal grant revenue particularly in the Sheriff Department was down resulting in a budget reduction of \$32,603.
- Increase in Service Fees in Administration, District Court, the Jail and Clerks Office resulted in a budget increase of approximately \$156,500.

Expenses

- The Board of Commissioners travel expenditures were significantly up resulting in a \$6,000 increase in the budget.
- The Friend of the Court signed a large contract for mediation services which caused a \$38,000 increase in the budget.
- Costs for Court appointed attorneys for Michigan Department of Corrections and appellate cases, along with jury fees and witness fees were down resulting in a budget decrease in Circuit Court of \$46,000.
- There were some temporary vacancies in the jail which resulted in lower wage and fringe benefit costs. This along with lower jail meal costs resulted in a budget decrease of \$42,000.
- Unspent contingencies were zeroed out which caused a decrease of \$134,733 in the budget.
- Many of the County Departments and Courts held their expenditures near or below their budgets. This combined with the increased revenue and lower expenditures listed above allowed the County to amend the budget to include a transfer to the Budget Stabilization Fund of \$246,384.

Significant budget variances existed between the final amended budget and actual amounts. Major variations are summarized as follows:

- Interest rates were up for the first time in many years and this resulted in interest earnings exceeding budgeted amounts by approximately \$50,000.
- The actual transfer out to the Budget Stabilization Fund was \$295,209 and the budgeted amount was \$246,384.

Capital Asset and Debt Administration

- **Capital assets** - a capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.
- **Debt administration** - debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has three general obligation bonds for their major capital projects this year. The first twenty-year bond issue took place in 1990 for the construction of a new Jail. The second bond issue, took place in 1999 for 1.375 million dollars and was for the first phase of the Courthouse renovation. A third bond issue took place in 2000 for \$825,000 and was for phase two of the court house renovation. In 2006 the 1999 series and 2000 series bonds were refinanced resulting in a net savings to the County of approximately \$90,124.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of commercial, residential, and personal property increased 7.11% in the 2006 fiscal year.

Manistee County has enjoyed slow but steady economic growth during the last several years, despite the broader economic climate. We attribute much of our County's growth to its close proximity to Michigan Lakeshore and the continued growth of the casino. The County did realize a slow down in economic growth particularly in the housing market in 2006, but we do project slow and steady growth to continue throughout 2007 and even into 2008. Despite this good news, as with all counties in Michigan Manistee County is continuously being hit hard by State and Federal budget cuts. This combined with expenses rising at a rate faster than revenue, it has been necessary for Administration to look at new and creative ways to curb rising cost such as employee health insurance and other benefits for county employees and still maintain an excellent benefit package for the hard working employees of Manistee County.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Budget and Finance Department, Manistee County, Michigan, 415 Third Street, Manistee, MI 49660. Additional information can be found at our website at www.manisteecounty.net

Manistee County
Government Wide
Statement of Net Assets
September 30, 2006

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$2,351,609	\$656,297	\$3,007,906	\$63,708
Investments		1,618,479	1,618,479	0
Receivables (net)	2,307,764	888,481	3,196,245	800,522
Internal balances	288,469	252,803	541,272	84,381
Inventories		71,981	71,981	318,697
Capital Assets, net	5,915,566	2,514,378	8,429,944	22,563,861
Total Assets	10,863,408	6,002,419	16,865,827	23,831,169
LIABILITIES				
Accounts payable	220,717	357,654	578,371	
Deferred revenue	585,011		585,011	
Other Current Liabilities	396,076	228,353	624,429	372,583
Due to Others	709,531		709,531	
Current Portion of LTD	187,400		187,400	
Noncurrent liabilities				
Accrued Compensated Absences	242,696	757,343	1,000,039	
Due in more than one year	1,920,000		1,920,000	4,466,622
Total Liabilities	4,261,431	1,343,350	5,604,781	4,839,205
NET ASSETS				
Invested in capital assets, net of related debt	3,808,166	1,372,326	5,180,492	22,563,861
Restricted for:				
Capital projects	652,349	1,293,457	1,945,806	318,697
By Donors		58,859	58,859	0
Debt Service			0	
Other				
Unrestricted (deficit)	2,141,462	1,934,427	4,075,889	(3,890,594)
Total Net Assets	6,601,977	4,659,069	11,261,046	18,991,964
Total Liabilities and Net Assets	\$10,863,408	\$6,002,419	\$16,865,827	\$23,831,169

The footnotes are an integral part of these Financial Statements.

Manistee County
Government Wide
Statement of Activities
For Year Ended September 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General Government	\$5,253,892	\$1,342,898	\$44,799		(\$3,866,195)		(\$3,866,195)	
Public Safety	6,331,059		1,053,621		(5,277,438)		(5,277,438)	
Public Works					0		0	
Health and Recreation	1,021,560				(1,021,560)		(1,021,560)	
Community and Economic Development					0		0	
Recreation and Culture	82,113				(82,113)		(82,113)	0
Payment on Debt	100,000				(100,000)		(100,000)	
Total Government Activities	12,788,624	1,342,898	1,098,420	0	(10,347,306)	0	(10,347,306)	0
Business Type Activities								
Medical Care Facility	8,849,221	8,002,417	0	0		(846,804)	(846,804)	
Total Primary Government	21,637,845	9,345,315	1,098,420	0		(846,804)	(11,194,110)	
Component Units								
Road Commission	5,389,152	53,993	4,541,397	0				(793,762)
Total Component Units	5,389,152	53,993	4,541,397	0				(793,762)
General revenues:								
Taxes								
Property Taxes-General					6,597,454	953,295	7,550,749	
Property Taxes-Debt Service					0	0	0	
State-Shared Revenues					0	415,437	415,437	
Unrestricted Investment Earnings					124,495	195,377	319,872	870,098
Franchise taxes					0	0	0	
Miscellaneous					3,286,053	205,852	3,491,905	534,285
Transfers					1,132,123	0	1,132,123	
Total General Revenues-Special Items and Transfers					11,140,125	1,769,961	12,910,086	1,404,383
Changes in Net Assets					792,819	923,157	1,715,976	610,621
Net Assets - Beginning					5,809,158	3,735,912	9,545,070	18,381,343
Net Assets - Ending					\$6,601,977	\$4,659,069	\$11,261,046	\$18,991,964

The footnotes are an integral part of these Financial Statements.

Manistee County
Governmental Fund Balance Sheet
Year Ended September 30, 2006

	General Fund	911 Central Dispatch	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	(\$378,187)	\$765,911	\$1,963,885	\$2,351,609
Receivables:				
Taxes - Current	0		0	0
Taxes - Delinquent	1,541,720		0	1,541,720
Accounts Receivable	541,181		224,863	766,044
Due From Other Funds	31,638		0	31,638
Prepaid Expenses	62,525		0	62,525
Other Assets	106,335		119,609	225,944
Property, Plant & Equipment (Net)	0		0	0
Amount to be Provided for:				
Compensated Absences	0	0	0	0
Retirement of Long-term Debt	0		0	0
TOTAL ASSETS	1,905,212	765,911	2,308,357	4,979,480
LIABILITIES				
Due to State	0		0	0
Other Trust Items Payable	0		0	0
Deferred Revenue	584,761		250	585,011
Compensated Absences	0	0	0	0
Notes Payable	0		0	0
General Obligation Bonds Payable	0		0	0
Accounts Payable	89,421	0	131,296	220,717
Other Liabilities	104,119	14,420	237,058	355,597
Maintenance of Effort	0		0	0
Due to Other Funds	709,531		0	709,531
Due to Other Govt. Units	0		0	0
TOTAL LIABILITIES	1,487,832	14,420	368,604	1,870,856
FUND EQUITY				
Contributed Capital	0			
Investment in Fixed Assets	0			
Fund Balance				
Reserved	557,450		94,899	652,349
Unreserved	(140,070)	751,491	1,844,854	2,456,275
TOTAL FUND EQUITY	417,380	751,491	1,939,753	3,108,624
TOTAL LIABILITIES & FUND EQUITY	\$1,905,212	\$765,911	\$2,308,357	\$4,979,480

The footnotes are an integral part of these Financial Statements.

Manistee County
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2006

	General Fund	911 Central Dispatch	Non Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes & Penalties	\$4,964,642	\$731,729	\$901,083	\$6,597,454
Licenses & Permits	4,545	0	0	4,545
Contracts and Grants	0	0	0	0
Federal Grants	554,651	0	174,707	729,358
State Grants	498,970	0	260,793	759,763
Local Contributions	638,640	0	56,011	694,651
Charges for Service	1,342,898	0	0	1,342,898
Fines & Forfeits	0	0	304,058	304,058
Interest and Rentals	92,596	15,048	16,851	124,495
Other Revenue	776,862	112,962	1,002,274	1,892,098
Total Revenues	8,873,804	859,739	2,715,777	12,449,320
EXPENDITURES				
Current				
Legislative	91,973	0	0	91,973
Judicial	2,537,207	0	0	2,537,207
General Government	2,710,088	0	0	2,710,088
Public Safety	2,584,501	798,841	2,947,717	6,331,059
Health and Welfare	827,897	0	193,663	1,021,560
Public Works	0	0	0	0
Cultural and Recreation	82,113	0	0	82,113
Other	328,231	0	(91,791)	236,440
Payment on Debt	0	0	100,000	100,000
Total Expenditures	9,162,010	798,841	3,149,589	13,110,440
Excess (Deficiency) of Revenues over Expenditures	(288,206)	60,898	(433,812)	(661,120)
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt	0	0	0	0
Operating Transfers In	288,204	0	857,790	1,145,994
Operating Transfers Out	0	0	(13,871)	(13,871)
Sale of Assets	0	0	0	0
Total Other Financing Sources (Uses)	288,204	0	843,919	1,132,123
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2)	60,898	410,107	471,003
Fund Balance, October 1	417,382	690,593	1,529,646	2,637,621
Prior Period Audit Adjustment	0	0	0	0
Fund Balance, September 30	\$417,380	\$751,491	\$1,939,753	\$3,108,624

The footnotes are an integral part of these Financial Statements.

Manistee County
Reconciliation Report - GASB 34
Year Ended September 30, 2006

Fund Balances on the Balance Sheet on Government Balance Sheet
to Net assets of Governmental Activities on the Statement of Net Assets

Fund Balances on the Balance Sheet	3,108,624
Increase in Assets not booked in Government Balance Sheet	5,915,566
Decrease in Long Term Debt	(227,879)
Compensated Absences All Recorded	(242,696)
Long Term Debt Recorded	<u>(1,920,000)</u>
Total Net Assets	6,601,977

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Excess(Deficiency) of Revenues	471,003
Capital Outlays in Governmental added to Assets in Statement of Activities	467,387
Repayment of Bond Principal is an expenditure in the government funds where it is as reduction in Long Term Debt	190,000
Depreciation is recorded in the Statement of Activities with the offset to accumulated depreciation in the Net Assets.	(306,156)
Increases in compensated absences are recorded when earned in the Statement of Activities	<u>(29,415)</u>
Total Changes in Statement of Activities	792,819

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
SEPTEMBER 30, 2006

ASSETS	Trust & Agency Fund	District Court Fund	Total
Cash	\$5,529,840	\$130,740	\$5,660,580
Due From Other Funds	3,091,087	0	3,091,087
Total Assets	<u>8,620,927</u>	<u>130,740</u>	<u>8,751,667</u>
LIABILITITES			
Trust Payables	8,620,927	130,740	8,751,667
Due to Other Units	0	0	0
Total Liabilities	<u>\$8,620,927</u>	<u>\$130,740</u>	<u>\$8,751,667</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN

Statement of Net Assets

Component Units

September 30, 2006

	Road Commission	Total Component Units
ASSETS		
Current		
Cash and Investments	\$63,708	\$63,708
Investments	0	0
Accounts Receivable	800,522	800,522
Property Taxes Receivable	0	0
Inventories	318,697	318,697
Due From Other Funds	0	0
Prepaid Expenses	84,381	84,381
Deferred Compensation Plan Assets	0	0
Other Assets	0	0
Construction in Progress	0	0
Property, Plant & Equipment (Net)	0	0
Compensated Absences	0	0
Non-Current		
Work In Process	0	0
Capital Assets	22,563,861	22,563,861
 Total Assets	 <u>23,831,169</u>	 <u>23,831,169</u>
 LIABILITIES		
Liabilities		
Current Liabilities	372,583	372,583
Non-Current	<u>4,466,622</u>	<u>4,466,622</u>
 Total Liabilities	 <u>4,839,205</u>	 <u>4,839,205</u>
 NET ASSETS		
Invested in Capital Assets— Net of Related Debt	22,563,861	22,563,861
Restricted for		0
Contributed Capital	318,697	318,697
Unreserved		0
TES Litigation	0	0
Short Term Disability	0	0
Sick Leave	0	0
Gifts and Bequests	0	0
Unrestricted	<u>(3,890,594)</u>	<u>(3,890,594)</u>
 Total Net Assets	 <u>18,991,964</u>	 <u>18,991,964</u>
 Total Liabilities and Net Assets	 <u>\$23,831,169</u>	 <u>\$23,831,169</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
Statement of Activities-- Component Units
September 30, 2006

Functions/Programs	Revenues					Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	
Road Commission						
Public Works	5,389,152	53,993	4,541,397	0 *	(793,762)	(793,762)
Total Component Units	\$5,389,152	\$53,993	\$4,541,397	\$0 *	(\$793,762)	(\$793,762)

General Revenues

Property Tax	0	0
Charges For Services	0	0
Grants and Contributions	0	0
Unrestricted Interest and Investments Earnings	870,098	870,098
Penal fines	0	0
Other	534,285	534,285
Gains on Sale of Capital assets	0	0
Total General Revenues	1,404,383	1,404,383
 Change in Net Assets	 610,621	 610,621
Net Assets-- Beginning	18,381,343	18,381,343
 Net Assests-- Ending	 \$18,991,964	 \$18,991,964

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2006

ASSETS	<u>Road Commission</u>	<u>Total</u>
Cash and Investments	\$63,708	\$63,708
Accounts Receivable	800,522	800,522
Property Taxes Receivable		
Inventories	318,697	318,697
Due From Other Funds		0
Prepaid Expenses	84,381	84,381
Deferred Compensation Plan Assets		
Other Assets		
Construction in Progress		
Property, Plant & Equipment (Net)		
Compensated Absences	<u>0</u>	<u>0</u>
Total Assets	<u><u>1,267,308</u></u>	<u><u>1,267,308</u></u>
 LIABILITIES & FUND BALANCE		
Liabilities		
Current Liabilities	284,929	284,929
Accrued Expenses	<u>0</u>	<u>0</u>
Total Liabilities	<u><u>284,929</u></u>	<u><u>284,929</u></u>
Fund Balance		
Contributed Capital	318,697	318,697
Capital Projects		
TES Litigation		
Short Term Disability		
Sick Leave		
Gifts and Bequests		
Unreserved	<u>663,682</u>	<u>663,682</u>
Total Fund Balance	<u><u>982,379</u></u>	<u><u>982,379</u></u>
Total Liabilities and Fund Balance	<u><u>\$1,267,308</u></u>	<u><u>\$1,267,308</u></u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2006

	Road Commission	Total
Revenues:		
Contracts and Grants	\$0	\$0
Property Tax		
Penal Fines		
State Grants	4,836,264	4,836,264
Federal Grants	48,167	48,167
Charges For Services		0
Local Contributions	870,098	870,098
Interest And Rental		0
Other Revenues	245,244	245,244
Insurance Proceeds	0	0
Total Revenues	5,999,773	5,999,773
Expenditures:		
Public Works	10,742,228	10,742,228
Capital Outlay	0	0
Public Services		0
Depreciation	0	0
Total Expenditures/Expenses	10,742,228	10,742,228
Excess (Deficiency) of Revenue Over Expenditures	(4,742,455)	(4,742,455)
Operating Transfer In	226,647	226,647
Operating Transfer (Out)	(213,441)	(213,441)
Proceeds from Debt	4,566,622	4,566,622
Fund Balance/Retained Earnings-Beg	1,145,006	1,145,006
Prior Period Adj		0
Fund Balance/Retained Earnings	\$982,379	\$982,379

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY
MANISTEE COUNTY, MICHIGAN
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
September 30, 2006

A. REPORTING ENTITY

The County Board of Commissioners, a seven member group, is the level of government which has governance responsibilities over all activities related to the county government jurisdiction of Manistee County. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Manistee County (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes:

- a) oversight responsibility
- b) fiscal dependency
- c) whether the financial statements would be misleading if data were included.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The method of reporting financial data of component units in a column separate from the financial data of the primary government is referred to as discrete presentation.

The component unit should be included in the reporting entity financial statements using the blending method in either of the following circumstances: a) The component unit's governing body has a majority from the primary unit and b) the component unit provides services entirely, or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The activities have been measured by the standards listed above with the following units being reported as component units with condensed financial statements for those which are discretely presented.

BLENDING COMPONENT UNITS

Medical Care Facility

This is a component unit of government of the County and has been included as such. This unit of government is controlled by an independent board which includes two county appointees and one state appointee. No money, other than MOE, is derived from the County and the majority comes from billings and fees paid by State and local agencies. The Medical Care Facility board cannot borrow money or levy taxes without the approval of the County. The information is taken from the year ending September 30, 2006 audited financial statements audited by other auditors which can be seen at the Manistee County Treasurer's Office.

Manistee Area 9-1-1/Central Dispatch

This is a component unit of government of the County and has been included as a blended presentation. This unit serves multiple government and private agencies while deriving no financial support directly from other agencies. The reasons for the blended presentation is that while this unit is neither economically dependent nor is it exclusively used by County government, it provides a service which would otherwise be required by the primary government. The unit can neither levy a tax or borrow funds without County approval. The information is taken from the September 30, 2006 year end audited financial statements and can be seen at the Manistee County Treasurer's Office.

Manistee County Building Authority

This is a component unit of government of the County and has been included here as such. However, all expenses to include interest and principal are costs to the County per se and as such are not reported a second time. Therefore, the only reportable amounts which concern this unit are transfers in and out which are negated when the units are combined. See also notes on Long Term Debt.

Manistee/Blacker Airport Authority

The County was a member of a joint venture in the Manistee/Blacker Airport Authority. This is, however, an independent authority which is supported through fees and rents as well as support from Manistee County. During the year ended September 30, 2005 it was determined that in accordance with the criteria established by the County, the Airport authority shall be financially presented as a blended component unit.

The number of governmental units participating in the authority is not limited, but rather is set up under Act 206 of the Public Acts of 1957. No control is exercised by the County over the Airport Authority. The County appoints three members, the City one Member with three additional members coming at large. The Advisory Board is responsible for adopting an annual budget.

Manistee County Library

The Library is a component unit of County government. It is governed by a five member board. The Library prepares its financial statements using the economic resources measurement focus and on the modified accrual basis of accounting. The information is taken from the September 30, 2006 year end audited financial statements audited by other auditors which can be seen at the Manistee County Treasurer's Office.

Condensed Balance Sheet

Assets	<u>\$ 384,541</u>
Total Assets	\$ 384,541
Liabilities	\$ 210,859
Fund Balance	<u>\$ 173,682</u>
Total Liabilities and Fund Balance	\$ 384,541

Condensed Statement of Revenues, Expenses and Changes in Fund Balance

Revenues	\$ 1,299,519
Current Expenditures	\$ 1,272,131
Other Sources and Uses	<u>\$ 1,129</u>
Gain	\$ 28,517

DISCRETELY PRESENTED COMPONENT UNITS

Manistee County Road Commission

The County Road Commission, which is established pursuant to county road law (MCL 224.1), is governed by an appointed three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the county electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund. The information is taken from the September 30, 2006 year end audited financial statements which can be seen at the Manistee County Treasurer's Office.

Condensed Balance Sheet

Assets	\$1,267,308
Property Plant & Equipment (Net)	<u>22,563,861</u>
Total Assets	\$23,831,169
Current Liabilities	\$ 372,583
Bonds and Other Long Term Liabilities	4,466,622
Net Assets	<u>18,991,964</u>
Total Liabilities and Net Assets	\$23,831,169

Condensed Statement of Revenues, Expenses and Changes in Fund Balance

Revenues	\$ 5,999,773
Current Expenditures	<u>11,382,551</u>
Excess Revenue	<u>\$ (5,382,778)</u>

Manistee County Transportation, Inc.

This entity is set up as and operated as an independent not-for-profit corporation, incorporated in the State of Michigan. In addition, there is a total separation of fiscal control and/or responsibility by Manistee County and the Governing board operates as an independent entity. The services provided do not fit into the category of "exclusively" used by the primary government. This entity is therefore being excluded based on the above.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days to the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Medical Care Facility

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Because the Facility provides a service to citizens that is financed primarily by user charges, the accounts of the Facility are accounted for as an Enterprise Fund.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Medical Care Facility audit report, prepared by other auditors, was presented in accordance with GASB 34.

Manistee County

The governmental fund accounting policies of Manistee County Board conform to generally accepted accounting principles and include the following fund types:

1. Government Fund Types use modified accrual basis and include -

The *General Funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *Special Revenue Funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest recorded in the General Long-Term Debt Account Group.

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the County is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the County.

3. Proprietary fund types include -

The *Enterprise Funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis. The tax revolving fund contains those fund balances designated for specific use by the Board in accordance with resolutions passed during the years.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Investments

The County uses the Fair Market Value valuation for all investments. Any adjustments to the value of the investments not related to cash differences but rather to a subsequent valuation change during the current year was entered as unrecognized gain or loss.

Budgeting and Fund Deficit

Prior to September 30th, the board adopts a proposed general fund operating budget for the twelve months beginning October 1st. The budget includes proposed expenditures and the means of financing them. Budgets are adopted on a activity basis, although line item data is provided in the accounts for more effective management control. Amendments to the general fund budget are made as necessary and are properly approved by the board.

C. INVESTMENTS

Act 217, PA 1982, as amended authorizes the County to deposit and invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

D. CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government

For purposes of this presentation, management has determined that cash equivalents consist of those items which will become cash within 90 days of the statement date. The primary government cash does not include Manistee Blacker Airport, Manistee Library or 911. Investments are all in Certificates of Deposit and short term government bonds. Investments of the County are valued at the lower of cost or market at the balance sheet date. All deposits are held in the name of the County. The relative risk of these items of cash are:

	Carrying Value
Insured	\$ 200,000
Uninsured	<u>815,515</u>
Total Cash	\$1,015,515

Deposits are carried at cost. Deposits are in three financial institutions in the name of the County Treasurer.

There is \$1,850,748 invested in Certificates of Deposit. Fair Market value is approximately the same as face value.

There is a bearer bond recorded with a cost of \$82,068 and a fair market value as of \$1,000,000 as of September 30, 2006.

Cash and Cash Equivalents

The balance of the cash is in sweep accounts which are the same as checking.

Medical Care Facility

The Medical Care Facility's deposits and investments are composed of the following:

	Current Assets	Assets Limited as to Use	Total
September 30, 2006:			
Cash:	\$656,297	\$1,618,479	\$2,274,776

- (1) Cash - County - These funds are under the control of the County Treasurer, who deposits these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits. However, all available insurance has been taken by the County and none remains.

- (2) Assets Limited as to Use - This cash is limited to the following uses:

For future capital purchases	\$1,403,094
For funded compensated absences	232,980
By donors for various restricted future expenditures	61,023
Total	<u>\$ 1,618,479</u>

911/Central Dispatch

911/Central Dispatch Cash Investments September 30, 2006.

		Per Bank	Carrying Value
Insured	\$	200,000	\$ 200,000
Uninsured		<u>566,285</u>	<u>565,911</u>
Total		766,285	765,911

Manistee Blacker Airport

Cash	Insured	\$ 39,521	\$ 39,521
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Manistee County Library

At year end, the carrying amount of the Library's deposits, including certificates of deposit of \$200,000 were \$344,502 and the bank balance was \$394,585 of which \$380,724 was covered by federal depository insurance and \$13,861 was uninsured and uncollateralized. The Library has \$550 in petty cash on hand.

Manistee County Road Commission

The Road Commission's deposits and investments at September 30, 2006 are included on the balance sheet under the following classifications:

	Carrying Value
Checking, Savings, CD	\$63,608
Investments	0
Petty Cash	100
Total	<u>\$316,790</u>

Deposits

At September 30, 2006, the book value of the Road Commission's deposits was \$63,608 with a corresponding bank balance of \$63,608. Qualifying deposits are insured by Federal Deposit Insurance Corporation up to \$100,000. Of the bank's balance, all is insured (credit risk category #1) and no balance is uninsured and uncollateralized (credit risk category #2).

The County Road commission's deposits are in accordance with statutory authority.

Investments are categorized in these three categories of risk:

Category 1 - Insured and registered, or securities held by the Road Commission or its agent in the Road Commissions name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Road Commission's name.

Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Road Commission's name.

E. ACCOUNTS RECEIVABLE

The Medical Care Facility has accounts receivable as follows:

Patient accounts receivable, net	\$ 880,835
Accounts receivable - other	7,646
Total accounts receivable	<u>\$ 888,481</u>

The capital improvement fund contains a Note Receivable from the Library in the amount of \$106,063. This note is pursuant to an agreement dated September 9, 2004 which is for a maximum amount not to exceed \$125,000. The agreement stipulates that the rate of interest is 2.75%.

F. PROPERTY TAXES

The County property tax is levied on each December 1st on the taxable value of property located in Manistee County as of the preceding December 31st.

Although Manistee County's ad valorem tax is levied and collectible on December 1, property tax revenues are considered available when they become due or past due and receivable within the current period. The State Equalized Value (SEV) and taxable values are \$1,398,717,405 and \$897,352,727 respectively. The millage for the current year is:

County operating	5.2856
County Library	.9725
Medical Care	.4803
911	.9725
Jail bond	.0800

These amounts are recognized in the respective General Fund and special revenue funds. Property tax revenues are recognized in the subsequent year when budgeted, therefore the receivable is offset by deferred revenue.

G. EMPLOYEE'S DEFERRED COMPENSATION PLAN

The County and the Road Commission offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or an unforeseeable emergency.

Effective January 1, 1997, the County adopted Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement requires plans that have established a qualified third party trust for their plan to remove the plan assets and related liability from the balance sheet of the County since the plan assets would no longer be subject to the general creditors of the County. Manistee County maintains no trust involvement in these plans.

H. RETIREMENT SYSTEM - MERS OPERATED

Manistee County employees including those component units consisting of the Library and the Medical Care Facility, are covered under the Manistee County retirement program.

Plan Description

Manistee County participates in the Michigan Municipal Employees Retirement System (MERS), a public employer and employee retirement system organized pursuant to Section 12a of Act No 156, Public Acts of 1951, (MSA 5.333(a); MCLA 46, 12a), as amended, State of Michigan. Substantially all employees are covered by the MERS retirement system. There is no mandatory retirement.

The Manistee County Pension Plan which is a multiple employer defined benefit pension plan that covers all full-time and part-time employees of the County may elect to receive coverage. The plan provides retirement benefits, as well as death and disability benefits, to plan members and their beneficiaries. At December 31, 2005 the date of the most recent actuarial valuation, membership consisted of 108 retirees and beneficiaries currently receiving benefits and 47 terminated employees entitled to benefits but not yet receiving them, and 287 current active employees. The plan does not issue a separate financial report specifically for each Facility.

All Required Contributions were made

The cost and market value of the retirement fund investment for the total MERS system at December 31, 2005 are disclosed in the annual financial statements of the Michigan Municipal Employees' Retirement System. Although an actuarial study is performed annually for Manistee County, the actuarial report does not break out all required facility data necessary for proper disclosure. All disclosures required by Governmental Accounting Standards Board Statement No. 5 with respect to pension data have not been included in these financial statements.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and the unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll provides an approximate adjustment for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Manistee County Road Commission Employees' Retirement System

Manistee County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's retirement System (MERS). The plan covers substantially all full time employees. The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability

benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing the MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County Road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 5-year final average compensation. Effective July 1, 1999 the plan was changed to MERS F55 so that employees with at least 30 years of service and are age 55 can retire with full benefits. The system also provides death and disability benefits which are established by state statute.

Participating County Road employees are not required to contribute to the system. The County Road commission is required to contribute the amount necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute. At December 31, 2005 the date of the most recent actuarial valuation, membership consisted of 26 retirees and beneficiaries currently receiving benefits and 4 terminated employees entitled to benefits but not yet receiving them, and 44 current active employees.

Actuarial Accrued Liability - the actuarial liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and)) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 Information as of 12/31/05

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 7,053,678
Terminated employees not yet receiving benefits	1,112,316
Non-vested terminated employees (pending refunds of accumulated member contributions)	14,255
Current employees:	
Accumulated employee contributions	
Including allocated investment income	925,678
Employer financed	<u>15,284,540</u>
Total Actuarial accrued liability	<u>24,390,467</u>

Net Assets Available for Benefits, at actuarial value (Market value is \$3,398,189)	<u>19,852,104</u>
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Unfunded (over funded) actuarial accrued liability	<u>\$ 4,538,363</u>
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GASB 27 Information as of 12/31/05

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 932,484
Amortization factor used (Underfunded Liabilities (30 years)	0.053632
Amortization Factor Used - Overfunded Liabilities (10 years)	0.119963

Contributions Required and Contributions Made:

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for fiscal year ended December 31, 2005 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year end Information for FASB Statement No.27

Year Ended	Annual Pension Cost of (APC)	Percentage of APC Contributed	Net Pension Obligation
Dec 31			
09/30/02	\$ 186,226	100%	\$ -0-
09/30/03	\$ 351,750	100%	\$ -0-
09/30/04	\$ 265,876	100%	\$ -0-
09/30/05	\$ 408,344	100%	\$ -0-
09/30/06	\$ 932,484	100%	\$ -0-

Required Supplementary Information for GASB Statement No.27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/01	\$3,465,264	\$6,953,429	\$3,448,165	50%	\$1,563,330	223%
12/31/02	\$3,454,256	\$7,396,448	\$3,942,256	53%	\$1,528,920	258%
12/31/03	\$3,721,561	\$7,989,189	\$4,267,628	47%	\$1,526,988	279%
12/31/04	\$3,855,814	\$8,915,083	\$5,059,269	43%	\$1,595,479	317%

I. LONG TERM DEBT

Bonds and notes payable at September 30, 2006 are composed of the following individual issues:

Installment Purchase Contract:

Original amount \$542,400

Final maturity: Oct. 1, 2007

Interest rate: 5.43%

09/30/06

	Date	Principal	Interest
Jail Bond	2007	72,400	7.625% less credit
	Balance Due		\$72,400

Building Authority Bonds

Series 1999

Original amount \$1,375,000

Annual principal installments \$25,000 to \$105,000

Final maturity 2024

Interest rate 5.25% to 6.00%

\$1,280,000

2007	45000	68,600
2008	50000	66,085
2009	50000	63,433
2010	50000	60,783
2011	50000	58,133
Next five years	295000	245,240
Next five years	390000	149,854
Next five years	305000	27,595

Series 2000

Original amount \$825,000

Annual principal installments \$20,000 to \$65,000

Final maturity 2024

Interest rate 5.25% to 5.90%

\$780,000

2007	25000	41,739
2008	30000	40,295
2009	30000	38,713
2010	30000	37,123
2011	35000	35,400
Next five years	190000	147,561
Next five years	240000	87,106
Next five years	175000	16,063

General Obligation Debt

Road Commission Bond

The information concerning this debt is maintained in the Manistee County Road Commission. While the debt rests with Manistee County, it is financed through the State Income paid to the Road Commission. At any time the debt service fund is not fully paid, the amounts will be withdrawn from the State monies to insure the debt is paid.

911 Long Term Debt

The Manistee County 9-1-1/Central Dispatch has two long term debt notes payable to the County of Manistee. The funds were used to built the new Central Dispatch addition. An agreement was entered between Manistee County 9-1-1/Central Dispatch and the County of Manistee where the 9-1-1 will make annual installments on notes whose original value was \$450,000.

The data for the long term debt is as follows:

Creditor	County of Manistee
Amount	\$450,000 (\$337,282 on 6/1/98 and \$112,718 on 7/23/98)
Interest Rate	5.43%
Term:	10 Years

The remaining principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$45,000	\$ 4,887

Manistee County Road Commission

The following is a summary of the long-term debt transactions for the Road Commission for the year ended September 30, 2006:

	MDOT SIB Loan	Accumulated Sick Leave & Vacation	2004 Bond Debt	2006 Lease Purchase	Total
Long-Term debt at October 1, 2005	\$237,239	\$140,653	4,500,000	66,000	\$4,943,892
Adjustments to recognize change in Accumulated sick leave and vacation At September 30, 2006	0	7,825			7,825
Debt Retired during current year	(237,239)	0	100,000	18,496	(119,037)
Long Term Debt at 09/30/06	\$ 0	148,478	4,400,000	47,504	\$4,447,504

During 2004 the Manistee County Road Commission initiated a Debt Service fund to service the financing of the new Manistee County Road Commission Central Facility. The bond debt repayment schedule is as follows:

Date	Payment	Interest	Principal
February 2007	96,638	96,638	
August 2007	196,938	96,638	100,000
February 2008	94,888	94,888	
August 2008	194,888	94,888	100,000
February 2009	93,138	93,138	
August 2009	243,138	93,138	150,000
February 2010	91,388	91,388	
August 2010	241,388	91,388	200,000
February 2011	86,575	86,575	
August 2011	286,575	86,575	200,000
Next Five Years	1,886,502	736,502	1,150,000
Next Five Years	1,864,628	464,628	1,400,000
Next Three Years	1,208,426	108,426	1,100,000

In 2006 a rental agreement for an excavator was replaced with a long term debt lease purchase agreement. The initial debt was for \$66,000 to be paid over a three year life at 4.4% with a payment schedule as follows:

	Payment	Interest	Principal
Oct 1, 2006 to Sept 30, 2007	34,622	1,018	33,605
Oct 1, 2007 to Feb 20, 2008	14,426	108	13,899

The accumulated vacation and sick leave is not subject to an annual amortization calculation because it will become due and payable in varying amounts from year to year as employees terminate their employment with the Manistee County Road Commission

J. CONTINGENT LIABILITY

The primary government has no material contingent liabilities as of the date of this report.

The Manistee Country Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Manistee County Road Commission for the costs incurred. These costs reimbursements contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Manistee County Road Commission. The audit adjustment is accounted for as an adjustment of the current years expenditures.

The Manistee County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

K. COMPENSATED ABSENCES, SICK LEAVE, VACATIONS AND ACCRUED/PREPAID SALARIES.

Primary Government:

Vacation and Sick Leave is earned on a monthly basis with excess sick leave available to be paid. The totals of compensated absences are computed at current wage rates and include the following:

	Sick Pay	Vacation Pay	Personal
Courthouse	\$ 82,702	\$ 70,666	\$ 30,764
Sheriff Department	14,507	25,446	8,895
911 Dispatch	0	6,888	2,668
Total	<u>\$ 97,209</u>	<u>\$ 103,000</u>	<u>\$ 42,487</u>
Medical Care Facility Compensated Absences		\$757,343	
Manistee County Library Termination Benefits		\$ 17,198	

No accruals or prepaids have been made for these salaries and wages as the net effect is minimal and the change to accrual accounting further minimizes the effect.

Employees earn one day of sick leave credit for each month of service, with a maximum accumulation of 110 days. All employees during their first year of employment earn vacation using their date of hire. After completing one year all employees accrue vacation benefits which are to be used for vacation during the next succeeding calendar year. Vacation time must be used before the end of the succeeding calendar year. Vacation time does not accumulate and the employees are not paid for days not used.

Employees may be required to present a doctor's release for sick leave lasting three or more days, or if a specific pattern or abuse of the sick leave policy develops.

Vacation time, with regards to the sheriff's department, shall be taken in increments of five days or less, unless other arrangements have been made in advance. Requests must be submitted to the sheriff at least 10 days prior to the requested days off. No more than one employee in each designated area can be away on vacation at one time.

Employees who quit and provide two weeks written notice are entitled to payment at their straight-time hourly rate for their accrued, but unused vacation days.

Effective January 1, 1996 all employees with an existing bank of sick time will have the option, during the term of the existing contract, of converting an employer specified number of accumulated sick time hours to cash at the discounted rate of 85% value. Also, each eligible employee will receive five annual personal days which shall not accumulate from year to year. The employer will pay in January of the following year for up to three days of unused personal time.

Manistee County 911/Central Dispatch

There are no compensated absences to the extent that sick pay is accrued and payable upon retirement. The total accrued and payable for employees on the Manistee County 9-1-1/Central Dispatch is \$9,556.

Manistee County Library

Manistee County Library accounts for accrued employee sick leave in its long-term debt account group. As of September 30, 2006 the accrual is \$17,198.

At September 30, 2006, long-term debt currently outstanding is as follows:

Promissory note, payable in annual installments of \$12,500 through March 1, 2016, interest at 2.75%, fully issued at September 30, 2006	\$112,500
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It should be noted that this is an agreement between the primary and a blended component unit.

Manistee County Road Commission

The total accumulated unpaid vacation and sick pay liability of the Manistee County Road Commission at September 30, 2006 was \$148,478. This amount was determined to be a long-term liability in its entirety and is therefore reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the governmental funds for known terminations as of year end.

County Road Commission employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Unpaid vacation and personal leave at September 30, 2006 amounted to \$60,824.

Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 170 days. The policy also provides that employees who separate from employment with the Road Commission will be paid for their accumulated leave up to a maximum of sixty (60) days. Unpaid sick leave at September 30, 2006 amounted to \$87,654.

Effective December 1, 1994 the above sick leave program was replaced with one which each full time employee shall be given sixty-four to seventy-two hours of short-term leave annually which may be used throughout a given fiscal year. In the first pay period of December each year all unused time shall be paid. There are no provisions to accumulate this time. The former plan is still in effect and employees will retain those benefits. Upon retirement the accumulated sick leave will be paid up to a maximum of sixty days. This liability will decrease as the years progress.

L. ENCUMBRANCES

The County does not formally record encumbrances in the accounting records.

M. LITIGATION

In connection with the normal conduct of its affairs, the County is involved in various claims and litigations. It is expected that the final resolution of these matters will not materially affect the financial statement of the County.

After field work was completed but before this report was issued, the appeal made by Tondu concerning the property tax due failed. As a result of this decision, no contingent liability is included within this report.

N. RISK FINANCING AND RELATED INSURANCE ISSUES

Primary Government:

The local unit is a member of the Michigan Municipal Risk Management Authority. As a member of the authority, the Local Unit is partially self-insured for general and auto liability, motor vehicle physical damage

and property loss claims. Under most circumstances, the municipality's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General Liability	75,000
Auto Physical Damage	15,000 per unit
Auto Physical Damage	30,000 per occurrence
Property Coverage	100,000(after 10% to member)

Medical Care Facility:

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Facility has purchased commercial insurance for malpractice and general liability claims, workers' compensation and employee medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at September 30, 2006 and September 30, 2005.

O. FIXED ASSETS

Fixed assets for the primary government and its blended units, Medical Care Facility, Road Commission and 911/Central Dispatch, are listed below:

Medical Care Facility:

Asset	Depreciable Life - Years	2005	Additions	Retirements Transfers	2006
Bldg & Imprvmnts	10-40	\$3,701,704	\$ 7,403	\$ 0	3,709,107
Equipment	5-20	<u>1,079,833</u>	<u>90,464</u>	<u>38,701</u>	<u>1,131,596</u>
Total cost		4,781,537	97,867	38,701	4,840,703
Accumulated Depreciation					
Bldg & Imprvmnts		1,409,383	151,435		1,560,818
Equipment		<u>740,628</u>	<u>63,580</u>	<u>38,701</u>	<u>765,507</u>
Total Accum Dep.		2,150,011	215,015	38,701	2,326,325
Net Carrying amount		<u>\$2,631,526</u>			<u>\$2,514,378</u>

Manistee County Road Commission

Asset				
Land and Improvements	\$ 239,977	410,326		\$ 650,303
Buildings	1,679,823	4,340,353		6,020,176
Improvements		568,936		568,936
Infrastructure	27,313,356	1,720,920		29,034,276
Equipment	7,096,625	783,172	89,799	7,789,998
Yard and Storage	823,699			823,699
Depletable Assets	<u>24,065</u>			<u>24,065</u>
	37,177,545	7,823,707	89,799	44,911,453

Accumulated Depreciation				
Buildings	980,687	226,324		1,207,011
Improvements		62,021		62,021
Infrastructure	12,236,839	1,518,190		13,755,029
Equipment	5,970,067	910,162	89,799	6,790,430
Yard and Storage	441,990	91,111		533,101
	<u>19,629,583</u>	<u>2,807,808</u>	<u>89,799</u>	<u>22,347,592</u>
Net Fixed Assets	\$ 17,547,962	(\$ 5,015,899)	\$ 89,799	\$22,563,861

All fixed assets are based on historical cost for all assets. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Infrastructure	5 to 10 years
Equipment	10 to 30 years
Vehicles	3 to 20 years

911/Central Dispatch

Assets:

	<u>2005</u>	<u>additions</u>	<u>deletions</u>	<u>2006</u>
Buildings	\$ 3,000	0	0	3,000
Equipment	<u>\$ 913,691</u>	<u>29,868</u>	<u>0</u>	<u>\$943,559</u>
Total	916,691	29,868	0	946,559

Accumulated Depreciation:

Buildings	\$ 731	77	0	808
Equipment	<u>\$ 425,392</u>	<u>98,976</u>	<u>0</u>	<u>\$524,368</u>
Total	426,123	99,053	0	525,176

Primary Government

Equipment	\$83,987	96,068	0	\$180,055
Vehicles	448,886	64,622	0	513,508
Miscellaneous	221,064	0	0	221,064
Buildings	8,644,370	306,697	0	8,951,067
Land	<u>59,714</u>	<u>0</u>	<u>0</u>	<u>59,714</u>
Total	\$9,458,021	467,387	0	9,925,408

Less Accumulated Depreciation for

Equipment	\$42,014	52,615	0	\$ 94,629
Vehicles	340,096	45,617	0	385,713
Miscellaneous	128,942	63,815	0	192,757
Buildings	2,985,962	147,109	0	3,133,071
Land	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$3,497,014	309,156	0	\$3,806,170

All fixed assets are based on historical cost for all assets with a cost of \$5,000 or more. The County Commission passed a resolution to record all assets with values in excess of \$5,000.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Manistee County Library

	<u>Balance</u> <u>10/01/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/06</u>
Leasehold Improvements	\$ 158,426	\$ 56,762	\$ 0	\$ 258,426
Furniture and fixtures	122,790	3,688	0	122,790
Computers and Technology	160,268	3,810	0	160,268
Library Books	<u>1,683,009</u>	<u>164,674</u>	<u>0</u>	<u>1,847,683</u>
Total	2,224,493	228,934	0	2,453,427
Accumulated Depreciation	<u>1,272,352</u>	<u>183,413</u>	0	<u>1,455,765</u>
Net Capital Assets	<u>952,141</u>	<u>45,521</u>		<u>997,662</u>

Property and equipment of the Library is depreciated using the straight line method over the following estimated useful lives:

Leasehold improvements	20 years
Books	7 years
Furniture and Fixtures	20 years
Computer and Technology	10 years

P. POST EMPLOYMENT BENEFITS

Primary Government:

Certain departments in County government are subject to post employment benefits. There is a current effort to determine this liability which will be reported in next year's financial reports in accordance with GASB 45.

Q. GENERAL FUND DEFERRED REVENUE

The financial statement presentation includes a General Fund deferred revenue in the amount of \$886,160. The amount is equal to one quarter (three months) of the annual taxes collected which will subsequently be expended during the final three months of the calendar year.

The required payments into the one-third State Revenue Sharing Replacement Fund plan were not made in a timely manner. However, by the end of audit field work, the fund had been overpaid. During field work, a general agreement was reached as to the amounts to be paid into this fund and plans to correct the fund were implemented. It must be emphasized that this fund effectively eliminated the state revenue sharing payment in total.

R. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

PA 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the County incurred expenditures in certain budgeted funds which were in excess of the amount appropriated. As of the fiscal year end, there were no material variances.

S. CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2002 the County and its component units implemented the provision of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the financial statements as a result of GASB No. 34 are as follows:

A management's discussion and analysis (MD&A) section providing analysis of the entities overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the entity's activities have been provided.

Capital assets in the Statement of Net Assets include infrastructure assets (roads, bridges, etc) not previously accounted for in the Road Commission section of the report as well as other capital assets that were previously accounted for in the General Fixed Asset Account Group. In addition, the government activities column includes bonds and other long-term obligations previously reported in the General long-Term Debt Account Group.

T. GENERAL FUND RESERVED FUND BALANCE

The General Fund reserved fund balance is due to general tax levy and County operating fiscal year timing differences.

SUPPLEMENTAL STATEMENTS

WILSON, WARD CPA FIRM

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E-mail: wilson@wilsonward.com

The Board of Commissioners
Manistee County
Manistee, Michigan

We have audited the combined financial statements of Manistee County, Michigan for the year ended September 30, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the Table of Contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
December 03, 2006

General Fund

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget			Variance
	Approved	Amended	Actual	Favorable (Unfavorable)
TAXES				
Current Real Property Tax	\$4,211,101	\$4,211,101	\$4,186,029	(\$25,072)
Commercial Forest	350	350	0	(350)
Delinquent Real Property Tax	467,900	467,900	454,006	(13,894)
Delinquent Personal Property Tax	9,500	9,500	15,543	6,043
Swamp Tax	16,635	16,635	16,635	0
Payment in Lieu of Taxes	75,055	75,055	78,226	3,171
Tax Reverted	0	0	0	0
Convention Facilities Tax	112,803	112,803	114,980	2,177
Cigarette Tax	4,235	4,235	4,509	274
Real Estate Transfer Tax	110,000	94,716	94,714	(2)
Taxes Total	5,007,579	4,992,295	4,964,642	(27,653)
LICENSES AND PERMITS				
Trailer Fees	750	750	1,096	346
Liquor Licenses	1,500	1,500	3,449	1,949
Total Licenses & Permits	2,250	2,250	4,545	2,295
FEDERAL GRANTS				
Friend of the Court IV - D CRP	416,027	403,219	402,945	(274)
Prosecuting Attorney IV - D CRP	25,000	23,544	18,689	(4,855)
Forest Patrol	3,015	7,036	7,036	0
Commercial Forest		0	0	0
Secondary Road Patrol	84,404	76,677	76,677	0
SSCENT Drug Team	34,266	24,624	24,624	0
Great Lakes Restoration Grant		0	0	0
Emergency Services	29,670	24,679	24,680	1
Total Federal Grants	592,382	559,779	554,651	(5,128)
STATE SOURCES				
Circuit Judge Salary Supplement	30,635	30,635	30,635	0
Circuit Court DOC Reimbursement	12,500	12,500	7,522	(4,978)
Circuit Court Jury Reimbursement	4,000	4,000	2,595	(1,405)
CRP Revenue State Share	3,852	3,852	0	(3,852)
District Judge Salary Supplement	27,434	27,434	27,434	0
Probate Judge Salary	94,195	94,195	94,195	0
Probate Judge Salary Supplement	45,724	45,724	45,724	0
Access Visit	20,000	20,000	18,986	(1,014)
Drunk Driving Case Flow Asst		0	0	0
Anti Drug Grant Reimbursement	150	150	211	61
Prosecuting Attorney - Victims Rights Reimbursements	18,900	18,900	22,500	3,600
Prosecuting Attorney DOC Reimbursement	500	501	1,206	705
FOC IV D Incentive	34,224	34,224	30,520	(3,704)
Marine Safety	31,790	48,341	48,196	(145)
Court Funding Reimbursement	138,404	138,404	142,915	4,511
Snowmobile Safety	34,908	26,331	26,331	0
State Revenue Sharing	0	0	0	0
Total State Sources	497,216	505,191	498,970	(6,221)
REIMBURSEMENTS FROM OTHER AGENCIES				
Circuit Court Salaries	85,841	90,838	88,935	(1,903)
Circuit Court Fringes	47,429	34,514	37,277	2,763
Attorney Fees Reimb	8,000	8,000	8,222	222
Circuit Court Misc Reimb	5,000	5,000	7,291	2,291
Juvenile Division	127,709	131,992	131,992	0
District Court Salaries	18,290	18,290	19,813	1,523
District Court Fringe Benefits	148,810	148,810	62,385	(86,425)
District Court Court Recorder	0	0	2,221	2,221
District Court Misc Reimbursements	0	0	99,641	99,641
Attorney Fees Reimb - Probate	800	800	1,676	876
Welfare Fraud Reimbursement	500	500	0	(500)
Twp/City/School Reimbursement	87,304	90,253	90,253	0
Friend of the Court Support Coll	4,000	19,200	19,200	0
Friend of the Court Misc Reimb	58,782	43,583	69,734	26,151
Friend of the Court Appointed Council	6,000	6,000	0	(6,000)
Total Reimbursements	\$598,465	\$597,780	\$638,640	\$40,860

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The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2006

	Budget		Actual	(Unfavorable)
	Approved	Amended		
CHARGES FOR SERVICES				
Circuit Court Cost	\$12,000	\$12,000	\$10,944	(\$1,056)
Circuit Court Fees	16,200	10,285	14,288	4,003
District Court Cost	410,000	410,000	420,767	10,767
District Court Fines	35,000	35,000	24,803	(10,197)
District Court Fees	16,925	16,927	5,797	(11,130)
District Court Fees -Victim rights	3,500	3,500	2,918	(582)
Clearance Card Cost	4,000	4,000	3,694	(306)
Bond Cost, Bond Forfeitures	25,000	101,280	94,000	(7,280)
Ordinances Fines & Costs	80,000	80,000	81,764	1,764
Friend of the Court Cost	1,400	1,400	777	(623)
Friend of the Court Fees	17,000	39,800	30,334	(9,466)
Friend of the Court Fines	1,400	1,400	0	(1,400)
Probate Court Fees	15,000	13,823	13,061	(762)
Probate Court - Sale of Supplies	200	200	87	(113)
Clerks Fees	42,235	51,707	51,707	0
Administration Fees	102,000	125,963	124,462	(1,501)
Prosecuting Attorney - Services	9,500	9,500	12,868	3,368
Prosecuting Attorney - Fees	0	0	182	182
Equalization	800	391	391	0
Register of Deeds - Recording Fees	220,000	172,160	172,075	(85)
County Survey & Remonumentation	400	400	486	86
Tax Certificates	1,300	1,300	1,018	(282)
Tax History	3,300	3,300	2,453	(847)
Sheriff's Services	25,500	25,500	29,214	3,714
Livery Inspections	150	150	296	146
Animal Control	38,000	50,271	50,271	0
Jail	132,250	148,159	148,159	0
Planning Department - Services	30,550	33,925	33,926	1
Building & Grounds	12,156	12,156	12,156	0
Total Charges for Services	1,255,766	1,364,497	1,342,898	(21,599)
INTEREST AND RENTALS				
Interest Earned	36,000	36,000	86,551	50,551
Rents and Royalties	5,000	5,000	6,045	1,045
Total Interest & Rentals	41,000	41,000	92,596	51,596
OTHER REVENUES				
Casino Pilt	221,011	221,011	221,011	0
Casino Revenue Sharing	0	0	0	0
Reimbursements	3,876	2,094	2,094	0
Bad Check Charge	500	500	0	(500)
Sales of Supplies	0	97	56	(41)
Dare Golf	15,000	35,573	31,583	(3,990)
Forfeited Assets	2,500	2,500	0	(2,500)
Insurance Reimb	14,650	14,650	15,680	1,030
Workers Comp Div	15,000	15,000	21,827	6,827
State Revenue Sharing Reserve Fund	460,693	460,693	460,693	0
Miscellaneous	50	7,148	23,918	16,770
Total Other Revenues	733,280	759,266	776,862	17,596
TRANSFERS IN				
Foreclosure Revenue	51,748	51,748	0	(51,748)
Budget Stability Fund		0	0	0
Tax Revolving Fund	288,204	288,204	288,204	0
Total Transfers In	339,952	339,952	288,204	(51,748)
TOTAL REVENUES & TRANSFERS IN	\$9,067,890	\$9,162,010	\$9,162,008	(\$2)

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES & OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget Approved	Amended	Actual	Variance Favorable (Unfavorable)
LEGISLATIVE				
Board of Commissioners	\$85,936	\$91,973	\$91,973	\$0
JUDICIAL				
Circuit Court	666,072	620,074	620,074	0
Circuit Court - Juvenile	370,682	373,556	373,555	1
District Court	596,943	608,259	608,260	(1)
Friend of the Court	620,484	675,043	675,042	1
Jury Commission	3,499	3,239	3,238	1
Probate Court - General	255,066	257,040	257,038	2
Total Judicial	2,512,746	2,537,211	2,537,207	4
GENERAL GOVERNMENT				
Elections		0	0	0
County Clerk	305,654	307,978	307,977	1
County Administrator	319,391	327,623	327,623	0
General Services	250,016	115,283	107,784	7,499
Data Processing	73,800	66,631	66,630	1
Equalization Department	305,466	298,420	298,422	(2)
Prosecuting Attorney	414,100	403,225	403,225	0
Register of Deeds	165,402	168,744	168,746	(2)
Treasurer	247,095	496,838	496,839	(1)
Building and Grounds	496,982	523,775	523,776	(1)
Plat Board	113	0	0	0
Drain Commissioner	6,831	5,397	5,396	1
Substance Abuse	452	113	113	0
Building Authority	191	118	118	0
Public Works Board		0	0	0
Private Industry Council	2,266	1,345	1,345	0
Revenue Sharing Board	3,876	2,094	2,094	0
Employee Insurance		0	0	0
Tax Allocation Board		0	0	0
Total General Government	2,591,635	2,717,584	2,710,088	7,496
PUBLIC SAFETY				
Sheriff	940,996	946,670	946,668	2
Marine Safety	57,647	72,083	72,083	0
Jail	1,177,914	1,135,753	1,135,753	0
Snowmobile Patrol	38,678	25,153	25,155	(2)
Emergency Services	71,967	73,917	73,918	(1)
Animal Control	115,339	102,396	102,393	3
Secondary Road Patrol	84,163	74,914	74,913	1
SSCENT Drug Team	73,722	75,320	75,319	1
COPS in Schools		0	0	0
USFS Patrol Assistance	3,015	3,812	3,813	(1)
COPS Fast Grant Program		0	0	0
K-9	72,586	74,487	74,486	1
Total Public Safety	\$2,636,027	\$2,584,505	\$2,584,501	\$4

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES & OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget			Variance
	Approved	Amended	Actual	Favorable (Unfavorable)
HEALTH AND WELFARE				
Medical Examiner	\$58,244	\$73,438	\$73,439	(\$1)
Contagious Diseases	2,500	2,120	2,120	0
Veterans Burial	28,800	19,938	20,100	(162)
Veterans Counselor	3,933	4,015	3,853	162
Veterans Trust - Rent		0	0	0
MSU Co-operative Extension	77,600	74,106	74,107	(1)
MECCA	83,000	85,667	85,667	0
Health Department	143,072	143,072	143,072	0
District Health Dept - Rent	57,776	57,775	57,775	0
Jaws of Life Team	950	635	634	1
Mental Health	165,000	165,000	165,000	0
Substance Abuse	56,402	57,490	57,490	0
Conservation Resource Alliance	475	475	475	0
Soil Conservation	6,650	6,650	6,650	0
Area Agency on Aging	4,064	4,064	4,064	0
DSS Board - MCF	8,624	9,181	9,181	0
Northwest Commission		0	0	0
Planning	143,311	124,268	124,270	(2)
Total Health and Welfare	840,401	827,894	827,897	(3)
CULTURAL AND RECREATION				
Airport Authority	70,000	70,000	70,000	0
Agricultural Fair	9,500	9,500	9,500	0
Manistee Recreation Association	2,613	2,613	2,613	0
Historical Museum		0	0	0
Total Education & Recreation	82,113	82,113	82,113	0
OTHER				
Visioning Project	2,375	7,374	7,375	(1)
Budget Stabilization		0	0	0
Council on Government	4,174	4,174	4,174	0
Transfer to Other Funds	60,783	60,783	68,283	(7,500)
Insurance and Bonds	251,700	248,399	248,399	0
Total Other Charges	319,032	320,730	328,231	(7,501)
TOTAL EXPENDITURES	9,067,890	9,162,010	9,162,010	0

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
CHANGES IN FUND EQUITY FOR THE FISCAL YEAR ENDED
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Fund Equity - October 1, 2005	\$417,382
Excess Revenue over Expenditures	(2)
Prior Years Adjustments	<u>0</u>
Fund Equity - September 30, 2006	<u><u>\$417,380</u></u>

The footnotes are an integral part of these Financial Statements.

Special Revenue Funds

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	Friend of the Court	Law Library	Remonument	Family Counseling Service	Budget Stabilization	WMD Homeland Security	Technology Fund	Economic Development Revolving	Economic Development Housing	Dept Human Services	Law Enforcement Training	LEPC Emergency Services
ASSETS												
Cash	\$19,471	\$1,127	\$0	\$14,919	\$558,117	\$33,677	\$101,210	\$0	\$11,439	\$223	(\$2,288)	\$1,517
Accounts Receivable	0	0	0	0	0	7,995	17,425	0	5	35,000	3,188	0
Due from other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	19,471	1,127	0	14,919	558,117	41,672	118,635	0	11,444	35,223	900	1,517
LIABILITIES & FUND BALANCE												
Liabilities												
Accounts Payable	0	1,127	0	0	0	0	1,664	0	0	(18,000)	900	0
Due to State of Michigan	0	0	0	0	0	0	0	0	0	53,000	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Liabilities									475			
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	0	1,127	0	0	0	0	1,664	0	475	35,000	900	0
Fund Balance												
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserved Unreserved	19,471	0	0	14,919	558,117	41,672	116,971	0	10,969	223	0	1,517
Total Fund Balance	19,471	0	0	14,919	558,117	41,672	116,971	0	10,969	223	0	1,517
Total Liabilities and Fund Balance	\$19,471	\$1,127	\$0	\$14,919	\$558,117	\$41,672	\$118,635	\$0	\$11,444	\$35,223	\$900	\$1,517

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	Animal Shelter	Juvenile Justice	County Forestry	Air Photo	Drug Testing	Juvenile Intervent Strategy	Soldiers & Sailors Relief	Public Improvement	Forfeited Assets Sheriff Department	Child Care Fund	Capital Improvement	Veterans Trust
ASSETS												
Cash	\$411	(\$2,500)	\$4,406	\$30,221	(\$12,339)	\$19,274	\$23,385	\$94,994	\$0	\$148,975	\$98,925	\$1,022
Accounts Receivable	0	2,500	0	0	0	825	0	0	0	22,005	0	0
Due from other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	12,339	0	0	0	3,128	0	0	0
Total Assets	411	0	4,406	30,221	0	20,099	23,385	94,994	3,128	170,980	98,925	1,022
LIABILITIES & FUND BALANCE												
Liabilities												
Accounts Payable	0	0	0	0	0	150	0	0	0	12,193	0	0
Due to State of Michigan	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0
										3,530		
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	0	0	0	0	0	150	0	0	0	15,723	0	0
Fund Balance												
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserved	0	0	0	0	0	0	0	0	0	0	0	0
Unreserved	411	0	4,406	30,221	0	19,949	23,385	94,994	3,128	155,257	98,925	1,022
Total Fund Balance	411	0	4,406	30,221	0	19,949	23,385	94,994	3,128	155,257	98,925	1,022
Total Liabilities and Fund Balance	\$411	\$0	\$4,406	\$30,221	\$0	\$20,099	\$23,385	\$94,994	\$3,128	\$170,980	\$98,925	\$1,022

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SEPTEMBER 30, 2006

	Dive Equipment Fund	County Employee Training	Sheriff's K-9 Unit	911/Central Dispatch	Department Contingency	Juvenile Accountable Fund	Drunk Driving Caseflow Assist	Judicial Technology	Mounted Search & Rescue	Community Corrections	Elections	Law Enforcement Technology
ASSETS												
Cash	\$221	\$25,252	\$2,292	\$765,911	138,022	\$1,957	\$12,673	\$2,174	(\$71)	(\$70,311)	\$70,236	\$20,284
Accounts Receivable	0	0	0	0	0	0	0	0	0	0	0	0
Due from other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	320	103,822	0	0
Total Assets	221	25,252	2,292	765,911	138,022	1,957	12,673	2,174	249	33,511	70,236	20,284
LIABILITIES & FUND BALANCE												
Liabilities												
Accounts Payable	0	419	808	0	0	722	0	0	0	628	0	0
Due to State of Michigan	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Liabilities				14,420						961		
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	0	419	808	14,420	0	722	0	0	0	1,589	0	0
Fund Balance												
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserved	0	0	0	0	0	0	0	0	0	0	0	0
Unreserved	221	24,833	1,484	751,491	138,022	1,235	12,673	2,174	249	31,922	70,236	20,284
Total Fund Balance	221	24,833	1,484	751,491	138,022	1,235	12,673	2,174	249	31,922	70,236	20,284
Total Liabilities and Fund Balance	\$221	\$25,252	\$2,292	\$765,911	\$138,022	\$1,957	\$12,673	\$2,174	\$249	\$33,511	\$70,236	\$20,284

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2006

	District Court Services Fund	Automation Register Deed Fund	MSHDA Maxwelltown Grant	F.I.A. Benzie Co. Fund	Juvenile Outreach Fund	Non-Secure Detention Fund	Brownfield Redevelopment Authority (1)	Juvenile Drug Court	Manistee County Library	Blacker Airport Authority	Total 2006
ASSETS											
Cash	\$46,317	\$147,200	\$0	\$0	\$0	\$0	\$562	(\$7,939)	\$345,052	\$74,719	\$2,720,737
Accounts Receivable		0	0	0	0	0	0	14,076	39,489	5,498	148,006
Due from other Funds	0	0	0	0	0	0	0	0		0	0
Other Assets	0	0	0	0	0	0	0	0		0	119,609
Total Assets	46,317	147,200	0	0	0	0	562	6,137	384,541	80,217	2,988,352
LIABILITIES & FUND BALANCE											
Liabilities											
Accounts Payable	859	0	0	0	0	0	0	557	34,197	22,672	58,896
Due to State of Michigan	0	0	0	0	0	0	0	0			53,000
Deferred Revenue	0	0	0	0	0	0	0	0		250	250
Accrued Liabilities	996							1,434	176,662		198,478
Compensated Absences	0	0	0	0	0	0	0	0		0	0
Due to Other Funds	0	0	0	0	0	0	0	0		0	0
Long Term Debt	0	0	0	0	0	0	0	0		0	0
Total Liabilities	1,855	0	0	0	0	0	0	1,991	210,859	22,922	310,624
Fund Balance											
Reserved for Capital											
Improvements	0	0	0	0	0	0	0			0	0
Other Reserved	0	0	0	0	0	0	0		94,899	0	94,899
Unreserved	44,462	147,200	0	0	0	0	562	4,146	78,783	57,295	2,582,829
Total Fund Balance	44,462	147,200	0	0	0	0	562	4,146	173,682	57,295	2,677,728
Total Liabilities and Fund Balance	\$46,317	\$147,200	\$0	\$0	\$0	\$0	\$562	\$6,137	\$384,541	\$80,217	\$2,988,352

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Friend of the Court	Law Library	Remonument	Family Counseling Service	Budget Stabilization	WMD Homeland Security	Technology Fund	Economic Development Revolving	Economic Development Housing	Law Enforcement Training	Dept of Human Services	LEPC Emergency Services
REVENUES												
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	101,773	0	0	46,666	0	0	0
State	0	0	25,071	0	0	0	0	0	0	0	0	0
Local	0	0	0	0	0	0	0	0	0	0	0	0
Fines & Forfeits	0	7,000	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	0	0	0	0	0	0	0	0	0
Other	2,749	0	0	2,450	0	0	36,011	0	52,796	30,609	158,528	0
Total Revenues	2,749	7,000	25,071	2,450	0	101,773	36,011	0	99,462	30,609	158,528	0
EXPENDITURES												
Current												
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	0	0	0	193,663	0
Other	986	33,170	71,321	0	0	74,461	105,196	0	94,829	44,791	0	0
Debt Payments:												
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	986	33,170	71,321	0	0	74,461	105,196	0	94,829	44,791	193,663	0
Excess (Deficiency) of Revenue Over Expenditures	1,763	(26,170)	(46,250)	2,450	0	27,312	(69,185)	0	4,633	(14,182)	(35,135)	0
OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	26,170	3,000	0	319,480	0	25,315	0	0	12,956	0	0
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	26,170	3,000	0	319,480	0	25,315	0	0	12,956	0	0
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	1,763	0	(43,250)	2,450	319,480	27,312	(43,870)	0	4,633	(1,226)	(35,135)	0
Fund Balance, October 1, 2005	17,708	0	43,250	12,469	238,637	14,360	160,841	0	6,336	1,226	35,358	1,517
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2006	\$19,471	\$0	\$0	\$14,919	\$558,117	\$41,672	\$116,971	\$0	\$10,969	\$0	\$223	\$1,517

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Animal Shelter	Juvenile Justice	County Forestry	Air Photo	Drug Testing	Juvenile Intervent Strategy	Soldiers & Sailors Relief	Public Improvement	Forfeited Assets Sheriff Dept	Capital Improvement	Child Care Fund	Veterans Trust
REVENUES												
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	0	0	0	0	0	0	0
State	0	15,000	0	0	0	18,903	0	0	0	0	116,276	0
Local	0	0	0	0	0	5,540	0	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	0	272	0	0	0	88	0	0	0
Other			4,185	6,241	11,291	0	0	102,197	0	33,570	95,138	1,204
Total Revenues	0	15,000	4,185	6,241	11,563	24,443	0	102,197	88	33,570	211,414	1,204
EXPENDITURES												
Current												
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0		0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	15,000	2,430	0	15,586	20,646	2,295	75,642	106	175,165	295,879	913
Debt Payments:	0											
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	0	15,000	2,430	0	15,586	20,646	2,295	75,642	106	175,165	295,879	913
Excess (Deficiency) of Revenue Over Expenditures	0	0	1,755	6,241	(4,023)	3,797	(2,295)	26,555	(18)	(141,595)	(84,465)	291
OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	0	0	0	4,023	0		15,000	0	40,000	155,973	0
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	4,023	0	0	15,000	0	40,000	155,973	0
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	0	0	1,755	6,241	0	3,797	(2,295)	41,555	(18)	(101,595)	71,508	291
Fund Balance, October 1, 2005	411	0	2,651	23,980	0	16,152	25,680	53,439	3,146	200,520	83,749	731
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2006	\$411	\$0	\$4,406	\$30,221	\$0	\$19,949	\$23,385	\$94,994	\$3,128	\$98,925	\$155,257	\$1,022

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Dive Equipment Fund	County Employee Training	Sheriff's K-9 Unit	911/Central Dispatch	Department Contingency	Juvenile Accountable Fund	Drunk Driving Caseload Assist	Judicial Technology	Mounted Search & Rescue	Community Corrections	Elections	Law Enforcement Technology
REVENUES												
Property Taxes	\$0	\$0	\$0	\$731,729	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	0	0	0	0	0	0	0
State	0	0	0	0	0	0	8,459	0	0	0	0	0
Local	0	0	0	0	0	0	0	0	0	44,344	5,000	0
Fines & Forfeits	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	15,048	0	0	0	0	1	2,972	0	0
Other	0	352	10,000	112,962	0	0	0	395	543	8,324	0	1,638
Total Revenues	0	352	10,000	859,739	0	0	8,459	395	544	55,640	5,000	1,638
EXPENDITURES												
Current												
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	0	0	0	0	0
Other	16	7,519	12,516	798,841	0	4,315	0	0	295	75,470	16,759	12,267
Debt Payments:												
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	16	7,519	12,516	798,841	0	4,315	0	0	295	75,470	16,759	12,267
Excess (Deficiency) of Revenue Over Expenditures	(16)	(7,167)	(2,516)	60,898	0	(4,315)	8,459	395	249	(19,830)	(11,759)	(10,629)
OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	7,000	4,000	0	60,541	0	0	0	0	0	35,000	0
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	7,000	4,000	0	60,541	0	0	0	0	0	35,000	0
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	(16)	(167)	1,484	60,898	60,541	(4,315)	8,459	395	249	(19,830)	23,241	(10,629)
Fund Balance, October 1, 2005	237	25,000	0	690,593	77,481	5,550	4,214	1,779	0	51,752	46,995	30,913
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2006	\$221	\$24,833	\$1,484	\$751,491	\$138,022	\$1,235	\$12,673	\$2,174	\$249	\$31,922	\$70,236	\$20,284

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	District Court Services Fund	Automation Register Deed Fund	MSHDA Maxwelltown Grant	F.I.A. Benzie Co. Fund	Juvenile Outreach Fund	Non-Secure Detention Fund	Brownfield Redevelopment Authority	Juvenile Drug Court	Manistee County Library	Blacker Airport Authority	Total 2006
REVENUES											
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$901,083		\$1,632,812
Licenses & Permits	0	0	0	0	0	0	0	0			0
Federal	0	0	0	0	0	0	0	0		26,268	174,707
State	0	0	0	0	0	0	0	55,383	21,701		260,793
Local	0	0	0	866	0	0	0	261			56,011
Fines & Forfeits	0	0	0	0	0	0	0	0	297,058		304,058
Interest & Rental	0	0	0	0	0	0	0	0	13,518		31,899
Other	84,269	42,605	0	10,000	0	0	300	0	66,159	240,720	1,115,236
Total Revenues	84,269	42,605	0	10,866	0	0	300	55,644	1,299,519	266,988	3,575,516
EXPENDITURES											
Current			0								
Judicial	0	0	0	0	0	0	0	0		0	0
Public Safety	0	0	0	0	0	0	0	0		0	0
Health & Welfare	0	0	0	0	0	0	0	0		0	193,663
Other	87,209	1,895	0	34,326	0	57	4,438	54,736	1,272,131	335,352	3,734,042
Debt Payments:											12,516
Principal	0	0	0	0	0	0	0	0		0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0		0	0
Total Expenditures	87,209	1,895	0	34,326	0	57	4,438	54,736	1,272,131	335,352	3,940,221
Excess (Deficiency) of Revenue Over Expenditures	(2,940)	40,710	0	(23,460)	0	(57)	(4,138)	908	27,388	(68,364)	(364,705)
OTHER FINANCING SOURCES (USES)											
Operating Transfers In		0	0	0	0	0	3,500	0		70,000	781,958
Operating Transfers Out	0	0	0	0	0	0	0	0	1,129	(15,000)	(13,871)
Sale of Assets	0	0	0	0	0	0	0	0		0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0	3,500	0	1,129	55,000	768,087
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	(2,940)	40,710	0	(23,460)	0	(57)	(638)	908	28,517	(13,364)	403,382
Fund Balance, October 1, 2005	47,402	106,490	0	23,460	0	57	1,200	3,238	145,165	70,659	2,274,346
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2006	\$44,462	\$147,200	\$0	\$0	\$0	\$0	\$562	\$4,146	\$173,682	\$57,295	\$2,677,728

The footnotes are an integral part of these financial statements.

Enterprise Funds

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Medical Care Facility	Total
ASSETS		
Cash	\$656,297	\$656,297
Accounts Receivable	888,481	888,481
Assets Limited as to Use	1,618,479	1,618,479
Property and Equipment	2,514,378	2,514,378
Prepaid Insurance	0	0
Inventories	71,981	71,981
Other Assets	252,803	252,803
	<hr/>	<hr/>
Total Assets	6,002,419	6,002,419
	<hr/>	<hr/>
LIABILITIES & FUND EQUITY		
Accounts Payable	154,625	154,625
Compensated Absences	757,343	757,343
Salaries and Related Liabilities	203,029	203,029
Maintenance of Effort	0	0
Due to Other Local Units	0	0
Other Current Liabilities	8,753	8,753
Third-party settlements	219,600	219,600
Deferred Revenue	0	0
	<hr/>	<hr/>
Total Liabilities	1,343,350	1,343,350
Fund Equity		
Retained Earnings	4,659,069	4,659,069
Total Liabilities & Fund Equity	<hr/>	<hr/>
	\$6,002,419	\$6,002,419

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES & CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND
SEPTEMBER 30, 2006

	Medical Care Facility	Total
OPERATING REVENUES		
Charges for Services	\$8,002,417	\$8,002,417
Quality Assurance assessment revenue	953,295	953,295
Other Revenue	415,437	415,437
Total Operating Revenue	9,371,149	9,371,149
OPERATING EXPENSES		
Employee Salaries	4,713,921	4,713,921
Other	4,135,300	4,135,300
Total Operating Expenses	8,849,221	8,849,221
OPERATING INCOME (LOSS)	521,928	521,928
NON-OPERATING REVENUES(EXPENSE)		
Other Income	34,425	34,425
Prior Year Third-party Settlement Adjustments	160,952	160,952
TOTAL NON-OPERATING REVENUE (EXPENSE)	195,377	195,377
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	205,852	205,852
Operating Transfers Out	0	
Total Other Financing Sources (Uses)	205,852	205,852
NET INCOME (LOSS)	923,157	923,157
RETAINED EARNINGS, BEGINNING	3,735,912	3,735,912
RETAINED EARNINGS, ENDING	\$4,659,069	\$4,659,069

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Medical Care Facility	Total
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from residents and third party payors	\$9,051,479	\$9,051,479
Cash paid to employee and suppliers	(8,713,773)	(8,713,773)
Proportionate share receipts	0	0
Other operating receipts	415,437	415,437
	<hr/>	<hr/>
Net cash provided by operating activities	753,143	753,143
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Resident trust (withdrawals) deposits	(1,327)	(1,327)
Transfer from county	190,716	190,716
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	189,389	189,389
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of assets limited as to use	(484,410)	(484,410)
Interest received	34,425	34,425
	<hr/>	<hr/>
Net cash (used in) provided by investing activities	(449,985)	(449,985)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of Property and Equipment	(97,868)	(97,868)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	394,679	394,679
Cash & Cash Equivalents, Beginning of year	261,618	261,618
	<hr/>	<hr/>
Cash & Cash Equivalents, End of Year	\$656,297	\$656,297
	<hr/>	<hr/>

Debt Service Funds

MANISTEE COUNTY, MICHIGAN
BALANCE SHEET
COMBINED DEBT SERVICE FUND
SEPTEMBER 30, 2006

	Building Authority Debt	Jail Building Bond	Fair Board Debt	Combined Debt Service Funds
ASSETS				
Cash	\$4,130	\$72,342		\$76,472
Taxes Receivable	0	73,470	76,857	73,470
TOTAL ASSETS	<u>4,130</u>	<u>145,812</u>	<u>76,857</u>	<u>149,942</u>
LIABILITIES AND FUND BALANCE				
Notes Payable		0	0	0
Deferred Revenue	0	73,470		73,470
Fund Balance	<u>4,130</u>	<u>72,342</u>	<u>76,857</u>	<u>76,472</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$4,130</u>	<u>\$145,812</u>	<u>\$76,857</u>	<u>\$149,942</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCE
COMBINED DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Building Authority Debt	Jail Building Bond	Fair Board Debt	Combined Debt Service Funds
REVENUES				
Revenue Tax	\$0	\$77,795		\$77,795
Interest	0	0		0
Other Revenue	0	0		0
	0	77,795		77,795
EXPENDITURES				
Principle	140,000	86,171		226,171
Interest	45,863			45,863
Other	1,775	0		1,775
Total Expenditures	187,638	86,171		273,809
Excess (Deficiency) of Revenue Over Expenditures	(187,638)	(8,376)		(196,014)
Other Financing Sources (Uses)				
Proceeds from financing	0	0		0
Operating Transfers In	187,863	0		187,863
Operating Transfers Out	0	0		0
Total Other Financing Sources (Uses)	187,863	0		187,863
Excess (Deficiency) of Revenue Over Expenditures and Other Sources Over Expenditures and Other Uses	226	(8,376)		(8,151)
Fund Balance, October 1	3,904	80,718	76,857	84,622
Fund Balance, September 30	\$4,130	\$72,342	\$76,857	\$76,472

The footnotes are an integral part of these Financial Statements.

Capital Project Funds

MANISTEE COUNTY, MICHIGAN
BALANCE SHEET
CAPITAL PROJECT FUND
SEPTEMBER 30, 2006

	Building Authority Construction	Jail Expansion Construction	Total
ASSETS			
Cash	\$4,879	\$4,180	\$9,059
Work In Process	0		0
Taxes Receivable		0	0
Total Assets	4,879	4,180	9,059
LIABILITIES & FUND EQUITY			
Liabilities			
Accounts Payable	0	72,400	72,400
Deferred Revenue	0	0	0
Interest Payable	0	0	0
Total Liabilities	0	72,400	72,400
Fund Balance			
Unreserved	4,879	(68,220)	(63,341)
Total Liabilities & Fund Equity	\$4,879	\$4,180	\$9,059

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCE
CAPITAL PROJECT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Building Authority Dept	Jail Expansion Project	Total
REVENUES			
Taxes	\$0	\$0	\$0
Grant	0		0
Interest	0	0	0
Total Revenue	0	0	0
EXPENDITURES			
Payment on Installment Purchase	0	0	0
Capital Outlay	0	0	0
Miscellaneous Expense	0	8,209	8,209
Excess (Deficiency) of Revenue Over Expenditures	0	(8,209)	(8,209)
Other Financing Sources (Uses)			
Proceeds from Debt	0	0	0
Operating Transfers In	0	75,832	75,832
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	75,832	75,832
Excess (Deficiency) of Revenue Over Expenditures and Other Sources Over Expenditures and Other Uses	0	67,623	67,623
			0
Fund Balance, October 1	4,879	(135,843)	(130,964)
Fund Balance, September 30	\$4,879	(\$68,220)	(\$63,341)

The footnotes are an integral part of these Financial Statements.

FEDERAL FINANCIAL ASSISTANCE

MANISTEE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA No	Accounts Receivable	Current Revenue	Current Expenditures	Deferred Revenue	Accounts Receivable
DEPARTMENT OF EDUCATION						
Michigan Governor's Office Governor's Discretionary Strengthening Families	05 84.186 a	100	100	0	0	0
DEPARTMENT OF THE INTERIOR						
Michigan Dept of Env Quality Great Lakes Coastal Restoration Grant	05-06 11.419	15,288	31,967	16,679	0	0
FEDERAL TRANSPORTATION SECURITY						
Airport Security	04-05 20.106	14,267	14,267	0	0	0
	05-06	0	15,935	19,123	0	3,188
	Total	14,267	30,202	19,123	0	3,188
DEPARTMENT OF HOUSING AND URBAN DEVELOPEMENT						
Michigan State Housing Development Authority Community Development Block Grant	05 14.228	17,202	63,868	46,666	0	0
	06		0	0	0	0
		17,202	63,868	46,666	0	0
Home	05 14.239	0	0	0	0	0
	06	0	0	0	0	0
	Total	0	0	0	0	0
Total Department of Housing and Urban Dev		17,202	63,868	46,666	0	0
DEPARTMENT OF AGRICULTURE						
Commercial Forest	06 10.670		0	0	0	0
US Forest Service Patrol Assistance	06		7,036	7,036	0	0
Total Department of Agriculture		0	7,036	7,036	0	0
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$205,327	\$890,108	\$771,552	\$27,311	\$114,082

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA No	Accounts Receivable	Current Revenue	Current Expenditures	Deferred Revenue	Accounts Receivable
DEPARTMENT OF HEALTH & HUMAN SERVICES						
Michigan Family Independence Agency						
Friend of the Court Co-operative	05 93.563	\$109,193	\$109,193	\$0	\$0	\$0
	06	0	337,447	402,945	0	65,498
Total		109,193	446,640	402,945	0	65,498
Prosecuting Attorney Co-operative	05 93.563	7,399	7,399	0	0	0
	06	0	14,937	18,689	0	3,752
Total		7,399	22,336	18,689	0	3,752
Title IV-D Incentive Program	05 93.048	8,524	8,524	0	0	0
	06	0	21,996	27,460	0	5,464
Total		8,524	30,520	27,460	0	5,464
IV-D Medical Support	05 93.048	0	0	0	0	0
	06	0	0	0	0	0
Total		0	0	0	0	0
Total Family Independence Agency		125,116	499,496	449,094	0	74,714
FEDERAL EMERGENCY MANAGEMENT						
Michigan Dept of State Police						
Emergency Services Program	05 83.530	0	0	0	0	0
	06		14,421	24,680	0	10,259
Total Federal Emergency Management		0	14,421	24,680	0	10,259
DEPARTMENT OF TRANSPORTATION						
Michigan State Police						
Secondary Road Patrol	05 20.600	26,886	26,886	0	0	0
	06	0	55,832	76,677	0	20,845
Total Department of Transportation		26,886	82,718	76,677	0	20,845
DEPARTMENT OF JUSTICE						
Michigan State Police						
Weapons of Mass Destruction	06 16.010	0	0	0	0	0
Terrorism Prevention	05	0	101,772	74,461	27,311	0
SSCENT	05 16.580	2,538	2,538	0	0	0
	06	0	24,624	24,624	0	0
Total SSCENT		2,538	27,162	24,624	0	0
Michigan Dept of Comm Health						
Byrne Grant	05 16.579	3,930	3,930	0	0	0
	06	0	27,436	32,512	0	5,076
Total Department of Justice		6,468	160,300	131,597	27,311	5,076

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2006

			CFDA No	Accounts Receivable	Current Revenue	Current Expenditures	Deferred Revenue	Accounts Receivable
FEDERAL GRANTOR								
Pass Through Grantor								
Program Title								
DEPARTMENT OF EDUCATION								
Michigan Governor's Office								
Governor's Discretionary								
Strengthening Families			05 84.186 a	100	100	0	0	0
DEPARTMENT OF THE INTERIOR								
Michigan Dept of Env Quality								
Great Lakes Coastal								
Restoration Grant			05-06 11.419	15,288	31,967	16,679	0	0
FEDERAL TRANSPORTATION SECURITY								
Airport Security			04-05 20.106	14,267	14,267	0	0	0
			05-06	0	15,935	19,123	0	3,188
			Total	14,267	30,202	19,123	0	3,188
DEPARTMENT OF HOUSING AND URBAN DEVELOPEMENT								
Michigan State Housing Development Authority								
Community Development Block Grant			05 14.228	17,202	63,868	46,666	0	0
			06		0	0	0	0
				17,202	63,868	46,666	0	0
Home			05 14.239	0	0	0	0	0
			06	0	0	0	0	0
			Total	0	0	0	0	0
Total Department of Housing and Urban Dev				17,202	63,868	46,666	0	0
DEPARTMENT OF AGRICULTURE								
Commercial Forest			06 10.670		0	0	0	0
US Forest Service Patrol Assistance			06		7,036	7,036	0	0
Total Department of Agriculture				0	7,036	7,036	0	0
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$205,327	\$890,108	\$771,552	\$27,311	\$114,082

The footnotes are an integral part of these Financial Statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issues:	Unqualified
Internal Control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material	No
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of circular A-133	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.563	Friend of the Court Cooperative Prosecuting Attorney Cooperative Title IV-D Incentive Program
14.228	Community Development Block Grant

Dollar threshold used to distinguish Type A and Type B programs	\$250,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

No matters were reported